

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re GOLDMAN SACHS GROUP, INC.	:	Master File No. 1:10-cv-03461-PAC
SECURITIES LITIGATION	:	
	:	ECF Case
This Document Relates To:	:	
	:	
ALL ACTIONS	:	
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**DECLARATION OF JESSICA P. STOKES**

I, Jessica P. Stokes, hereby declare under penalty of perjury that the following is true and correct:

1. I am admitted to the Bar of this Court and associated with the law firm of Sullivan & Cromwell LLP, counsel for Defendants in the above-captioned case. I respectfully submit this Declaration in support of Defendants' Opposition to Plaintiffs' Motion for Class Certification.

2. Dr. Paul Gompers references a number of news reports in the Declaration of Paul Gompers, Ph.D. ("Gompers") that he located by conducting a search of the *Factiva* database's major business publications and newswires for the time period February 5, 2007 through April 15, 2010 for articles about The Goldman Sachs Group, Inc. ("Goldman Sachs") that (1) contained the word "conflict"; (2) contained search terms related to discussion of a short position in mortgages; or (3) contained search terms related to discussion of John Paulson or Paulson & Co. Inc. in conjunction with collateralized debt obligations. (*See* Gompers ¶¶ 52 n.84, 56 n.99; Gompers Exhibits 5, 6.) Dr. Gompers provides an analysis of the stock price movement of Goldman Sachs common stock on the publication dates of those news reports, as

well as the other dates in the proposed Class Period. (See Gompers ¶¶ 52-61; Gompers Exhibit 2.)

3. With the assistance of colleagues at Sullivan & Cromwell LLP, I performed a search of the Westlaw All News database and Google News archive, which contain certain publications not contained in the *Factiva* database searched by Dr. Gompers. I searched the time period January 1, 2005 through June 10, 2010 using the search terms “Goldman Sachs,” “conflict[s] of interest,” “bet[ting] against,” “CDO,” and “short[ing].” I reviewed the search results for articles alleging conflicts of interest at Goldman Sachs. I describe below and append to this Declaration certain of the news reports that were located through this search, and further describe whether Dr. Gompers found any abnormal stock price movement on those publication dates.

4. Attached as Exhibit 1 to this Declaration is a true and correct copy of a *Los Angeles Times* article published before close of trading on November 11, 2008, entitled “Firm Urged Hedge Against State Bonds It Helped Sell.” The article states that Goldman Sachs:

urged some of its big clients to place investment bets against California bonds despite having collected millions of dollars in fees to help the state sell some of those same bonds. The giant investment firm did not inform the office of California Treasurer Bill Lockyer that it was proposing a way for investment clients to profit from California’s deepening financial misery. . . . Some experts said the investment bank’s actions, while not illegal, might be inappropriate. “That’s not a good way to do business,” said Geoffrey M. Heal, professor of public policy and business responsibility at Columbia University. “They’ve got a conflict of interest and they’re acting against the interest of their customers. . . . You act in the interests of your clients. You don’t screw them, to put it bluntly.”

5. Dr. Gompers analyzed the stock price movement of Goldman Sachs stock on November 11, 2008 and calculated a 7.33% residual stock price movement, which he determined is not statistically significant at the 5% level. (*See* Gompers Exhibit 2.)

6. Attached as Exhibit 2 to this Declaration is a true and correct copy of a *MarketWatch* article published before close of trading on November 19, 2009, entitled “GS a Short? And Five Reasons We Hate Goldman Sachs.” The article reported that:

Goldman was packaging and selling toxic derivatives for hundreds of billions of dollars to investors around the world, telling those investors that such derivatives were safe and smart bets. At the same time, Goldman was out at the AIG casino not just hedging their own exposure to the derivatives while they were packaging them, but Goldman was actually betting against those very products. They were literally selling products they were so confident would fail that they bet tens of billions of their own money at AIG against those products they were telling investors were safe. We want some perpwalks for this obvious fraud.

7. Dr. Gompers analyzed the stock price movement of Goldman Sachs stock on November 19, 2009 and calculated a -0.33% residual stock price movement, which he determined is not statistically significant at the 5% level. (*See* Gompers Exhibit 2.)

8. Attached as Exhibit 3 to this Declaration is a true and correct copy of a *McClatchy DC* article dated November 1, 2009, entitled “How Goldman Secretly Bet Against the U.S. Housing Crash.” Certain of the allegations reported in the article were similar to the allegations reported in Exhibit 2, including that “Goldman Sachs Group peddled more than \$40 billion in securities backed by at least 200,000 risky home mortgages, but never told the buyers it was secretly betting that a sharp drop in U.S. housing prices would send the value of those securities plummeting.”



9. Dr. Gompers analyzed the stock price movement of Goldman Sachs stock on November 2, 2009 (November 1, 2009 was a Sunday) and calculated a 0.27% residual stock price movement, which he determined is not statistically significant at the 5% level. (*See* Gompers Exhibit 2.)

10. Attached as Exhibit 4 to this Declaration is a true and correct copy of a *McClatchy DC* article published before close of trading on December 30, 2009, entitled “Goldman’s Offshore Deals Deepened Global Financial Crisis.” The article reported that Goldman Sachs:

joined some of its Wall Street rivals in late 2005 in secretly packaging a new breed of offshore securities. . . . In some of these transactions, investors not only bought shaky securities backed by residential mortgages, but also took on the role of insurers by agreeing to pay Goldman and others massive sums if risky home loans nose-dived in value – as Goldman was effectively betting they would. . . . [I]n 2006 and 2007, Goldman peddled more than \$40 billion in U.S.-registered securities backed by at least 200,000 risky home mortgages, but never told the buyers it was secretly betting that a sharp drop in U.S. housing prices would send the value of those securities plummeting. Many of those bets were made in the Caymans deals. . . . Goldman’s Caymans deals were riddled with potential conflicts of interest . . . . Goldman created the companies that oversaw the deals, selected many of the securities to be peddled, including mortgages it had securitized, and in several instances placed huge bets against similar loans.

11. Dr. Gompers analyzed the stock price movement of Goldman Sachs stock on December 30, 2009 and December 31, 2009 (Exhibit 4 was published near market close on December 30, 2009) and calculated 1.13% and 1.28% residual stock price movements, respectively, which he determined are not statistically significant at the 5% level. (*See* Gompers Exhibit 2.)

12. Attached as Exhibit 5 to this Declaration is an excerpt of a true and correct copy of the transcript of the March 12, 2015 deposition of the West Virginia Investment Management Board (“WVIMB”) and the deposition exhibits to which the testimony relates.<sup>1</sup>

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[illegible]

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<sup>1</sup> The transcripts of the depositions of WVIMB and Dr. John D. Finnerty were designated as “Confidential” by Plaintiffs under the Stipulated Protective Order, dated September 6, 2012, and, thus, Exhibits 5 and 6 and this Declaration have been filed in redacted form on the Court’s CM/ECF system.

14. Attached to this Declaration as Exhibits 6 through 36 are true and correct copies of the following documents (excerpted where indicated):

6. Transcript of the March 19, 2015 deposition of Dr. John D. Finnerty.
7. Finnerty Exhibit 1 – Declaration of John D. Finnerty, Ph.D. in Support of Lead Plaintiff’s Motion for Class Certification, dated January 30, 2015, filed in *In re Goldman Sachs Group, Inc. Sec. Litig.*, 1:10-cv-03461-PAC (S.D.N.Y.).
8. Finnerty Exhibit 2 – Consolidated Class Action Complaint for Violations of the Federal Securities Laws, dated July 25, 2011, filed in *In re Goldman Sachs Group, Inc. Sec. Litig.*, 1:10-cv-03461-PAC (S.D.N.Y.).
9. Finnerty Exhibit 3 – Cover, table of contents and excerpts from DOUGLAS R. EMERY, JOHN D. FINNERTY & JOHN D. STOWE, CORPORATE FINANCIAL MANAGEMENT: BRIDGING THE GAP BETWEEN THEORY AND PRACTICE (4th ed. 2011).
10. Finnerty Exhibit 4 – Draft Expert Report of John D. Finnerty, Ph.D., dated June 3, 2002, filed in *In re Jennifer Convertibles Sec. Litig.*, CV-94-5570 (DRH) (E.D.N.Y.).
11. Annual Report of Goldman Sachs on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on February 6, 2007 (excerpts), *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/10k/index.html> (last visited April 1, 2015).
12. Annual Report of Goldman Sachs on Form 10-K, filed with the SEC on January 29, 2008 (excerpts), *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/10k/index.html> (last visited April 1, 2015).
13. Annual Report of Goldman Sachs on Form 10-K, filed with the SEC on January 27, 2009 (excerpts), *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/10k/index.html> (last visited April 1, 2015).



14. Annual Report of Goldman Sachs on Form 10-K, filed with the SEC on February 26, 2010 (excerpts), *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/10k/index.html> (last visited April 1, 2015).
15. Goldman Sachs' Annual Report to Shareholders, dated February 21, 2007, *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/annual-reports/index.html> (last visited April 1, 2015).
16. Goldman Sachs' Annual Report to Shareholders, dated March 7, 2008, *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/annual-reports/index.html> (last visited April 1, 2015).
17. Goldman Sachs' Annual Report to Shareholders, dated April 6, 2009, *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/annual-reports/index.html> (last visited April 1, 2015).
18. Goldman Sachs' Annual Report to Shareholders, dated April 7, 2010, *available at* <http://www.goldmansachs.com/investor-relations/financials/archived/annual-reports/index.html> (last visited April 1, 2015).
19. Transcript of Q1 2007 Goldman Sachs Earnings Conference Call on March 13, 2007, obtained from Bloomberg Professional Service.
20. Transcript of Q2 2007 Goldman Sachs Earnings Conference Call on June 14, 2007, obtained from Thompson Reuters StreetEvents.
21. Transcript of Goldman Sachs Presentation to the Merrill Lynch Banking and Financial Services Investor Conference on November 13, 2007, obtained from LexisNexis.
22. Transcript of Q4 2007 Goldman Sachs Earnings Conference Call on December 18, 2007, obtained from Bloomberg Professional Service.
23. Transcript of Q1 2008 Goldman Sachs Earnings Conference Call on March 18, 2008, obtained from Bloomberg Professional Service.

24. Transcript of Q3 2008 Goldman Sachs Earnings Conference Call on September 16, 2008, obtained from Bloomberg Professional Service.
25. Transcript of Q2 2009 Goldman Sachs Earnings Conference Call on July 14, 2009, obtained from Bloomberg Professional Service.
26. Goldman Sachs' Presentation at the Bank of America/Merrill Lynch November 10, 2009 Banking and Financial Services Conference and Presentation Remarks by Lloyd Blankfein, *available at* <http://www.goldmansachs.com/investor-relations/presentations/archived/gs-presentation-at-2009-merrill-conference.html> (last visited April 1, 2015).
27. Press release dated December 24, 2009, entitled "Goldman Sachs Responds to the New York Times on Synthetic Collateralized Debt Obligations," *available at* <http://www.goldmansachs.com/media-relations/in-the-news/archive/response-scdo.html> (last visited April 1, 2015).
28. Press release dated January 21, 2010, entitled "Goldman Sachs Reports Earnings Per Common Share of \$22.13 for 2009," *available at* <http://www.goldmansachs.com/media-relations/press-releases/archived/2010/2010-01-21-q4-results.html> (last visited March 27, 2015).
29. Annual Report of Morgan Stanley on Form 10-K, filed with the SEC on January 29, 2008, *available at* <http://www.morganstanley.com/about/ir/shareholder/10k2007/10k11302007.pdf> (last visited April 2, 2015).
30. Amended Consolidated Securities Class Action Complaint, dated May 8, 2009, filed in *In re UBS AG Securities Litigation*, No. 1:07-cv-11225 (RJS) (S.D.N.Y.).
31. Lead Plaintiff's Second Amended Consolidated Class Action Complaint for Securities Fraud, dated July 1, 2010, filed in *Reese v. The McGraw-Hill Cos.*, No. 1:08-cv-07202 (SHS) (S.D.N.Y.).
32. Second Amended Complaint for Violations of the Federal Securities Laws, dated January 31, 2013, filed in *Gusinsky v. Barclays PLC*, No. 1:12-cv-05329 (SAS) (S.D.N.Y.).



- 33. Offering Circular for Hudson Mezzanine Funding 2006-1, Ltd., dated December 3, 2006.
- 34. Offering Circular for Anderson Mezzanine Funding 2007-1, Ltd., dated March 16, 2007.
- 35. Offering Circular for Timberwolf I, Ltd., dated March 23, 2007.
- 36. Offering Circular for Abacus 2007-AC1, Ltd., dated April 26, 2007.

Dated: New York, New York  
April 6, 2015

  
Jessica P. Stokes